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Message Text

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PAGE 01 VIENTI 07396 241300Z

44
ACTION AID-59

INFO OCT-01 EA-11 ISO-00 IGA-02 SP-03 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 DRC-01

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R 240940Z SEP 74
FM AMEMBASSY VIENTIANE
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E.O. 11652: N/A
TAGS: ECON, LA
SUBJECT: LAO ECONOMIC SITUATION

REF: STATE 208618

SUMMARY: MINFIN NGON SANANIKONE, WITH WHOM WE HAVE MAINTAINED CONTINUOUS CONTACT DURING LAST WEEKS HAS BECOME IMPRESSIVELY MORE CONCERNED ABOUT LAOS ECONOMIC SITUATION AND HOW THIS REFLECTS UPON HIS AND SANANIKONE FAMILY'S STANDING.END SUMMARY.

1. NGON CALLED IN USAID DIR SEPTEMBER 19, EXPRESSED HIS CONCERNS ABOUT ECONOMIC SITUATION AND DISCUSSED WHETHER OR NOT IT WOULD BE DESIRABLE TO DECREE NOW A RETURN TO A FREE EXCHANGE SYSTEM. HE ALSO INDICATED GIVEN THE, TO HIM, CRITICAL ECONOMIC SITUATION IT MIGHT WELL BE DESIRABLE FOR HIM NOT TO LEAVE LAOS TO PARTICIPATE FORTHCOMING IMF/IBRD MEETINGS IN WASHINGTON. INSTEAD FORMER MINISTER OF FINANCE NOW MINISTER OF DEFENSE, SISOUK NA CHAMPASSAK COULD REPRESENT
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PAGE 02 VIENTI 07396 241300Z

LAOS AT THESE MEETINGS. USAID DIR REPLIED THAT ALTHOUGH

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

THERE NO DOUBT LAOS' ECONOMIC SITUATION IS NOT THE BEST AND MIGHT BE CONSIDERED CRITICAL, IT IS CERTAINLY NOT DESPERATE, EXCHANGE CONTROL SYSTEM INSTITUTED BY PGNU JULY 25 HAS TO BE GIVEN TIME TO WORK, IT CERTAINLY CAN BE IMPROVED BY ISSUING LICENSES MORE RAPIDLY, A RETURN TO THE FREE EXCHANGE SYSTEM AT THE 840 RATE IS SIMPLY NOT A FEASIBLE PROPOSITION AT THIS JUNCTURE. USAID DIR FURTHER STATED THAT NGON AS MINISTER OF FINANCE HAS TO ATTEND FORTHCOMING IMF/IBRD MEETINGS AND THAT IT WOULD BE MISUNDERSTOOD BY ALL CONCERNED IF MINISTER OF DEFENSE WOULD REPRESENT PGNU AT THESE ANNUAL MEETINGS WHERE MINISTERS OF FINANCE AND OTHER FINANCIAL AND ECONOMIC LUMINARIES OF THE WORLD ARE CONGREGATING IN WASHINGTON.

2. NGON WENT INTO A SOLILOQUY ABOUT THE DIFFICULT JOB A MINISTER OF FINANCE HAS AND HOW HIS BEING MINFIN CAN ONLY DAMAGE THE STANDING OF THE SANANIKONE FAMILY. USAID DIR REPLIED THAT THE LOT OF A MINISTER OF FINANCE IS NOT AN EASY ONE AND WITH ALL OTHER MINISTERS OF FINANCE IN THE WORLD, HE IS IN GOOD AND DISTINGUISHED COMPANY.

3. NGON RETURNED TO THE SUBJECT OF RECREATING FORTHWITH FREE EXCHANGE SYSTEM AS A POSSIBLE SOLUTION PGNU ECONOMIC PROBLEMS AND WAS AGAIN TOLD BY USAID DIR THAT UNLESS THE LAO WOULD ENTER INTO A DEEP DEVALUATION, SUCH A MOVE WOULD ONLY ACERBATE THE CURRENT SITUATION. USAID DIR FURTHER STATED NOW IS THE TIME FOR MINISTRY OF FINANCE AND MINISTRY OF NATIONAL ECONOMY OFFICIALS TO TAKE A REALLY HARD LOOK AT THEIR PROBLEMS AND STUDY IMMEDIATELY WHAT POLICIES THE PGNU SHOULD UNDERTAKE TO STABILIZE IN A REASONABLE MANNER ITS ECONOMY DURING CY 1975. NGON STATED THAT SUCH STUDIES ARE UNDERWAY AND SUGGESTED THAT THE IMF RESREP, LAO OFFICIALS AND U.S. EXPERTS WORK TOGETHER TO COME UP WITH RECOMMENDATIONS HE AT A LATER DATE COULD CONSIDER. NGON REQUESTED THAT USAID DIR MEET WITH HIM AGAIN SEPTEMBER 23 FOR FURTHER DISCUSSIONS.

4. AT MEETING WITH MINFIN SEPTEMBER 23, NGON ADVISED THAT AFTER CONSULTATION WITH MINISTRY OF FINANCE
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EXPERTS, HE AGREES THAT SITUATION IS NOT AS DESPERATE AS HE HAD BELIEVED, THAT FOREIGN EXCHANGE AVAILABILITIES IN WHICH HE INCLUDED THE LAO ADDITIONAL $3MILLION CONTRIBUTION TO THE FEOF WERE ADEQUATE TO MEET FOREIGN EXCHANGE REQUIREMENTS THROUGH CY 1974. HE ADVISED THAT HE WOULD DEPART VIENTIANE SEPTEMBER 24 TO ATTEND IMF/IBRD MEETINGS. UPON HIS RETURN HE INTENDS TO LOOK OVER STUDIES PREPARED FOR HIM TO

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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CONTINUE DISCUSSIONS HOW LAOS FINANCIAL PROBLEMS IN
1975 CAN BE COPED WITH. USAID DIR TOLD NGON THAT HE
FELT RIGHT DECISIONS HAD BEEN MADE BY HIM AND
RECOMMENDED THAT IN ALL STUDIES LAOS ARE NOW
BEGINNING TO UNDERTAKE, CONSIDERATION HAS TO BE GIVEN TO
COMMODITY AID THAT MIGHT BE FORTHCOMING FROM
COMMUNIST AND SOCIALIST COUNTRIES NOW BEING SOLICITED.
SUCH ASSISTANCE IS A RESOURCE TO THE PGNU AND HAS TO
BE INCLUDED IN ANY STUDY ON LAO ECONOMY.
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